

## Message Text

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ORIGIN ARA-14

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FM SECSTATE WASHDC

TO ALL AMERICAN REPUBLIC DIPLOMATIC POSTS

C O N F I D E N T I A L STATE 305934

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E.O. 11652: GDS

TAGS: PBOR

SUBJECT: ARA WEEKLY HIGHLIGHTS, DECEMBER 15-21

1. CONGRESSMAN HENRY REUSS (DWIS.) WILL LEAD A DELEGATION OF ABOUT 16 HOUSE MEMBERS ON A TRIP TO SIX LATIN AMERICAN COUNTRIES DECEMBER 29-JANUARY 15. REUSS CHAIRS THE HOUSE BANKING COMMITTEE WHICH COUNTROLS AUTHORIZING LEGISLATION FOR THE IDB AND OTHER IFI'S; ABOUT 12 MEMBERS OF HIS COMMITTEE ARE INCLUDED WITH THE BALANCE LARGELY FROM THE HOUSE APPROPRIATIONS COMMITTEE. THEIR ITINERARY INCLUDES CUBA, COLOMBIA, CHILE, ARGENTINA, BRAZIL AND COSTA RICA. IT CONSTITUTES THE LARGEST AND MOST EXTENSIVE CODEL VISIT TO LATIN AMERICA IN MANY YEARS, OTHER THAN FROM THE FOREIGN RELATIONS COMMITTEES.

2. STORIES IN THE U.S. PRESS OVER THE WEEKEND, INCLUDING  
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THE N.Y. TIMES AND WASHINGTON POST, PUBLICIZED PERU'S ALLEGED REQUEST FOR 100 MILLION DOLLARS FROM THE U.S. TREASURY'S EXCHANGE STABILIZATION FUND (ESF). THE PRESS ACCOUNTS SAID THE REQUEST HAD BEEN DENIED AND SUGGESTED A LINKAGE WITH SUBSTANTIAL PERUVIAN PAYMENTS COMING DUE TO THE SOVIET UNION FOR MILITARY PURCHASES. A PERUVIAN TEAM IN WASHINGTON HAD BEEN TOLD BY TREASURY ON DECEMBER 14 THAT

IT APPEARS PERU SHOULD HAVE AN ADEQUATE LEVEL OF RESERVES TO CONDUCT OPERATIONS DURING THE FIRST HALF OF 1978. THE POSSIBILITY OF ESF SUPPORT WAS LEFT OPEN SHOULD CIRCUMSTANCES CHANGE, AND IN THE MEANTIME WE WILL TRY TO ACCELERATE CONSIDERATION OF PL-480 AND CCC CREDITS AS A SIGNAL OF OUR CONFIDENCE IN PERU.

3. NEGOTIATIONS ON THE PRICE FOR MEXICAN NATURAL GAS TO THE U.S. ESCALATED A NOTCH WHEN MEXICAN FOREIGN MINISTER ROEL CAME TO WASHINGTON TO SEE SECRETARY OF ENERGY SCHLESINGER DECEMBER 21. HIS MESSAGE WAS THAT MEXICO IS STICKING WITH THE PRICE OF \$2.60 PER 1,000 CUBIC FEET NEGOTIATED WITH THE U.S. PIPELINE COMPANIES, AND IS AWAITING USG APPROVAL. PRESIDENT LOPEZ PORTILLO REPORTEDLY DECIDED TO SEND HIS FOREIGN MINISTER INTO THE FRAY IN AN EFFORT TO OBTAIN LARGER BENEFITS THAN HAD BEEN POSSIBLE AT THE BILATERAL TECHNICAL LEVEL DISCUSSIONS.

4. JAMAICAN PRIME MINISTER MANLEY'S PRIVATE VISIT TO THE UNITED STATES LAST WEEK INCLUDED AN INFORMAL MEETING WITH PRESIDENT CARTER THAT LASTED FOR MORE THAN TWO HOURS ON DECEMBER 16. SECRETARY VANCE AND FOREIGN MINISTER PATTERSON ALSO ATTENDED. WHILE MANLEY ATTEMPTED TO PLAY THE DUAL ROLE OF HIS COUNTRY'S LEADER PLUS THAT OF THE ELECTED CHAIRMAN OF THE GROUP OF 77 NORTH-SOUTH DIALOGUE, THE U.S. SIDE EMPHASIZED THE BILATERAL ASPECTS OF THE

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MEETING. AS AN INFORMAL MEETING, THERE WERE NO SPECIFIC RESULTS OR AGREEMENTS.

5. THE OAS SPECIAL GENERAL ASSEMBLY DECEMBER 12-15 ENDED WITH U.S. AMBASSADOR MCGEE ABSTAINING ON THE ORGANIZATION'S 1978 BUDGET. WHILE THIS A FAIRLY DRAMATIC ACT IN THE CONTEXT, WE FELT COMPELLED TO TAKE A STRONG STAND BECAUSE WE WERE UNABLE TO RESTRAIN A BUDGET INCREASE THAT WILL COMPEL US TO SEEK A SUPPLEMENTAL APPROPRIATION FROM CONGRESS TO PAY OUR ASSESSED SHARE. OUR CONCERN IS COMPOUNDED BY THE LIKELIHOOD THAT CONGRESS WILL INSIST THAT WE BEGIN TO REDUCE OUR ASSESSED SHARE FROM 66 PERCENT TO LESS THAN 50 PERCENT. THE BUDGET WAS APPROVED, OF COURSE, DESPITE OUR ABSTENTION, BUT THE OTHERS NOW MUST REALIZE THAT WE ARE SERIOUS ABOUT CONTROLLING THE TENDENCY TOWARD LARGE INCREASES.

6. THE CONFERENCE ON CARIBBEAN DEVELOPMENT IN WASHINGTON DECEMBER 14-15 WAS SUCCESSFULLY COMPLETED AND LAUNCHED A GROUP OF DONORS AND RECIPIENTS WHICH WILL MEET NEXT MAY.

MEANTIME WORK WILL BEGIN ON THE PREPARATION OF ACTUAL  
ANALYSIS, PROJECT PREPARATION AND ORGANIZING RESOURCES TO  
APPLY IN A REGIONAL APPROACH. VANCE

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